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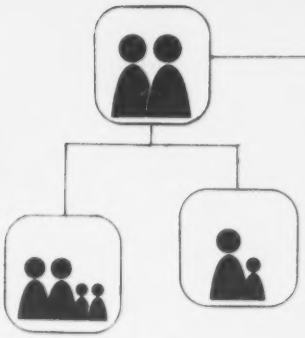
ABSTRACT

The purpose of this policy seminar, one of a series of family impact seminars, was to consider current and proposed policies of the federal government that concern child care. This document provides highlights of presentations by the seminar panelists and a background briefing report prepared before the meeting. The highlights section summarizes: (1) introductory comments by moderator Theodora Ooms; (2) Patricia Divine-Hawkins' overview of current federal child care programs and the need for coordination among the 22 programs; (3) Stuart Kerachsky's discussion of the child care component of the Family Support Act (FSA); (4) Ron Haskins' review of current and proposed tax legislation that affects child care; (5) Jill Kagan's overview of findings of the Select Committee for Children, Youth, and Families that relate to grants-based child care; and (6) Virginia duRivage's critique of the tax-based approach to child care. The briefing report begins with a definition of child care; statistics on working mothers and child care; and a discussion of problems in the child care market. The report then goes on to identify the goals of child care policy in regard to encouraging maternal employment; providing support for mothers who wish to work; and protecting and enhancing children's cognitive, emotional, and social development. Next, a review of current federal policy offers information on the need for coordination among state child care policies; the FSA; guaranteed child care for Jobs Opportunities and Basic Skills Program participants; and transitional child care assistance. After a review of proposed policies and legislation, the briefing report concludes with a discussion of criteria for assessing the impact of the policies on families. The report contains 33 references. (AC)



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Federal Child Care Policy: Current and Proposed

April 28, 1989, Cannon House Office Building, Rm. 210

Panelists: **Patricia Divine-Hawkins,** day care specialist, Head Start Bureau, Administration for Children, Youth, and Families
Stuart Kerachsky, Ph.D., economist and senior researcher, Mathematica Policy Research, Inc.
Ron Haskins, Ph.D., minority counsel, House Ways and Means Committee
Jill Kagan and Virginia duRivage, majority professional staff, House Select Committee for Children, Youth, and Families

Moderator: **Theodora Ooms**, Director, Family Impact Seminar

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BACKGROUND BRIEFING REPORT.....pages 1 to 20

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Federal Child Care Policy: Current and Proposed

Background Briefing Report
and
Meeting Highlights
by
Theodora Ooms and Lisa Herendeen

This policy seminar is one in a series of monthly seminars for policy staff titled, *Family Centered Social Policy: The Emerging Agenda*, conducted by the **Family Impact Seminar**, American Association for Marriage and Family Therapy, Research and Education Foundation, 1100 Seventeenth Street, N.W., The Tenth Floor, Washington, D.C. 20036, 202/467-5114

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Federal Child Care Policy: Current and Proposed

Highlights of the seminar meeting held on April 26,1989, Cannon House Office Building, Rm. 210. (A supplement to the Background Briefing Report.)

Evidence of policymakers' growing interest in child care is that the House Budget Committee had just allocated $1.8 billion of new discretionary dollars in its budget resolution to be available for any newly enacted child care programs, in addition to increased monies for Head Start, said **Theodora Ooms** in her introduction. This seminar, she said, aimed to build on the findings of the first two seminars and provide a framework for thinking about the current child care proposals by focusing on their goals and how they related to the many federal child care programs presently in place.

Patricia Divine-Hawkins, child care specialist in the Head Start Bureau, ACYF, spoke about current federal child care programs and stressed the need for coordination between the 22 different programs listed in Table 1 (p. 19). She believes that one of the biggest challenges in day care today is played out at the local level where community officials, planners, providers and parents must make sense out of all these different funding streams, program requirements, shifting demographics and competing family needs.

As an example, Hawkins discussed the findings of recent studies concerned with how the growing number of education programs serving low income children programs related to Head Start. Differences in eligibility and regulation raise questions about overlap, duplication and gaps in service (see report by Goodman & Brady, 1988).

A new program, not included in the table, enacted in April, 1988, is the Comprehensive Child Development Act (CCDA), which authorizes $20 million to be used to provide child care services to low income children and support services to parents. Planning and operational grants will be funded this fiscal year. Deadline for operational grant application is July 14th.

Hawkins then described several major child care studies that are being funded by the Administration for Children, Youth and Families, HHS including the National Child Care Panel at the National Academy of Science whose final report will be published in September and the national Child Care Consumer Survey. (For details see background briefing report for the first seminar on the Child Care Market, Jan. 31, 1989.)

Hawkins added that a high priority for Head Start in the next few years will be to insure adequate full-day child care for working Head Start parents. The department has been studying programs which use pre-kindergartens, and Title XX to "wrap around" Head Start to provide full day care (* see Elliot). Head Start may also begin to affiliate with family day care homes in order to provide Head Start services as an alternative to the center-based program, to act as satellites to Head Start, or to provide Head Start families with care for the full day.

In a variety of ways public and private agencies in states and communities are tackling these issues of coordination. One of the prime examples is the California Child Care Initiative. This $3 million project is funded by a public/private partnership of 33 organizations, spearheaded by BankAmerica Foundation.

Stuart Kerachsky, an economist at Mathematica Policy Research, Inc. addressed the child care component of the Family Support Act and how it can be utilized to help poor mothers work and

help children from disadvantaged homes get developmental care. His comments, he said, were based largely on the experience and evaluation of MPR's Minority Female Single Parent employment demonstration project. He stated that by the time the Family Support Act is fully implemented, at least 700,000 children will be placed in non-maternal care. In his talk he raised four main issues about how the Family Support Act will be implemented. Many of these concerns are not adequately dealt with in the proposed regulations which were just issued by HHS (see page 9).

1. When should child care be provided? Kerachsky emphasized that the child care provided under the Act should be flexible enough to meet the needs of parents as they engage in various part-time activities including orientation, job searching, and career exploration, in addition to the child care provided for when they are enrolled in the JOBS program. If these part time activities are not covered, he warned, parents may give up and remain on welfare. He said that either states should allow coverage of these non-formal activities, or JTPA and other education and training providers should redefine their curricula to include *all* employment-directed activities.

2. How should the care be provided? This question raises several concerns about the mechanics of care, how care is subsidized and the matching of provision with need, said Kerachsky.

- Child care assistance should be offered initially at the same time education, training and other needs are addressed in order to minimize delays.

- Agencies responsible for delivering child care (either by a government agency or a contractor in the private sector) should specialize in child care and not other activities. A resource and referral agency can devote its full attention to identifying, coordinating, and promoting the supply of child care, identifying the needs of participants, and actually linking participants with child care providers. Further, the concerns of mothers who are new to the world of child care can best be addressed by specialists. Also, these R&R staff should be co-located with JOBS staff to facilitate "one stop shopping" for the clients.

- Agencies should plan for continued support services beyond the initial child care placement. Parents will need assistance as they go through employment transitions, or as problems arise in the care of their children. Also parents often change their preference for type of care as they gain experience and confidence.

- Kerachsky pointed out that the current tendency of local welfare agencies is to not offer assistance unless it is requested and this practice helps to explain low utilization rates of subsidized care in previous welfare reform demonstrations. Agencies contracted under this Act will hopefully be more aggressive in helping parents get and keep child care for their children.

- In general, parents and children are best served by subsidies that can be used with any qualified provider (portable subsidies). However, centers often prefer to be funded by a direct subsidy in which the welfare agency pays for slots.

- Finally, agencies need to provide a variety of different child care arrangements to reflect the different location, hours, setting, price and qualities of the care itself that parents need.

3. How can the Act promote the supply of child care? The responsibility of the states to promote the supply of care is only implicit in the Act. However, the Act does mention explicitly the issue of standards and guidelines for center and family day care. States need to use this opportunity to address the learning, emotional and developmental needs of children from disadvantaged backgrounds. It seems clear that the objectives of FSA can be met only if states

actively promote the supply of care. This is less an issue of number of slots than variety. Different types of slots, in terms of center and home-based care, hours covered, price etc. will need to be available to families. Special efforts will need to be made to insure that infant care is available. Also slots need to be available reasonably close to where the mothers live, since problems of transportation can be as serious as issues of cost.

4. Monitoring. The Act is unclear about whether parents or child care providers are the focus of the monitoring. Monitoring will have to take place in two areas. The eligibility of parents who receive child care subsidies and the child care itself will need to be monitored to ensure quality and suitability.

His final point was that, based on the experience of MPR's research, mothers participated in education and training only as long as the child care subsidies were available. After transitional benefits expired, many women could no long afford to keep their jobs as their wages were so low they cannot afford child care. He suggested that parents, children, and taxpayers all lose ultimately from the 1-year limit on transitional child care benefits. Policymakers should consider carefully the cost-effectiveness of further extended, income-conditioned transitional benefits that keep parents employed, and keep children in quality care.

Ron Haskins, minority counsel of the House Ways and Means Committee, opened his remarks with a review of the two basic provisions of the current tax code that the various child care tax proposals take off from.

The Earned Income Tax Credit (EITC) is given to low income people who work and have children. They receive a 14% credit up to a maximum of $874 (in 1988). This credit phases out between $9,850 - $18,575. The credit is refundable. In 1988, $9.2 million families claimed the credit, costing the federal government $4.9 billion. Eighty percent of the credit was refunded. The credit amounts to a wage subsidy, and is similar to a negative income tax for people who work. It deserves high marks on the criterion of equity.

The Dependent Care Tax Credit (DCTC), on the other hand, deserves low marks for equity. This credit can only be claimed if you have child care expenses. If you do, no matter how much you earn, the government will give you a subsidy of between 20% - 30% of the expenses. The rates are progressive (inversely proportional to income). The maximum credit that can be claimed for one child is $720, $1,440 for two children. However the credit is not refundable, and its benefits go overwhelmingly to wealthier families. The mean benefit is $451.

Haskins then reviewed the key features of several current tax proposals to increase the income of low and moderate income working families. Some of these proposals amend or replace the EITC, others create a new type of tax credit (See Table 3, page vii).

He suggested that there are a number of evaluative criteria which could be used to compare the merits of a grants based approach with a tax-based approach including the extent to which they affected equity (vertical and horizontal); parent choice; cost/benefit (to the tax payer); affect market issues of supply, price and quality; addressed the federalism issue and the work incentive (See Table 4, page viii).

The grants-based approach is assumed to rate much better with respect to improving the market for child care but this rests on the assumption that parents cannot be trusted to spend their additional dollars (from a credit) on quality child care.

Haskins stated that he felt the criteria of simplicity was extremely important. Already the tax code provisions on the EITC and the DCTC are extremely complicated to administer, especially the advanced funding through the pay check (as a result only 10,000 families used the advanced

funding provision). Some or the current proposals would complicate the tax code even more, and significantly increase the burden of administrating the credits.

Another important issue is to assess the extent to which these proposals may have negative effects on the incentive to work through the combined effect of the marginal tax rates, the credit, and welfare policy.

Jill Kagan, staff of the Select Committee for Children, Youth, and Families discussed the findings of the Committee's 1984 report which laid the groundwork for development of comprehensive, grants-based child care proposal such as ABC (see *).

At the time of the year long study there was a paucity of national data on child care. However, from hundreds of witnesses the committee learned that there were severe shortages in child care, especially in areas like infant care and care for school-aged children, and problems with assuring the health and safety in out-of-home care. Recent research has largely confirmed these findings. The report made the following recommendations: support parental leave policies, support measures to increase child care supply especially infant care; re-examine tax policy to redirect resources to lower-income families; involve schools, communities, businesses and states to improve the quality of child care through training, improved standards and parental involvement.

Aside from market concerns, policymakers need to be concerned about the quality of care available in the child care industry. After a decade of research there is a consensus on factors that promote high quality, said Kagan. Factors such as high staff/child ratios, low group size, adequately trained, well-compensated and consistent caregivers produce positive results for children. But in many states basic protections to promote good child care are not mandated. For example, many states standards are lax about safety and health requirements: 11 states permit 5 or more babies to be cared for in family day care homes by one person without an assistant. Thirty states do not regulate group size at all for preschool children and 26 states do not regulate for infants and toddlers.

Some fear that increased regulations will curtail the supply. There is no evidence that requiring child care providers to meet minimal requirements for health and safety will result in a decrease in supply of child care, contends Kagan. When the state of Massachusetts provided adequate subsidies to providers and required them to become licensed the number of family day care homes doubled.

Kagan concluded by saying that the Act for Better Child Care addresses many of the Select Committee's recommendations concerning: supply, quality, child care provider wages, training, affordability, and parental choice. She also said the committee's findings are reflected in the principles in the Child Development and Education Act, H.R. 3, introduced by Rep. Hawkins and Smart Start, introduced by Senator Kennedy.

Virginia duRivage, staff of the House Select Committee on Children, Youth, and Families followed her colleague's presentation on the grants-based approach with a critique of the tax-based approach to child care.

Tax bills alone will not address the numerous problems in the child care industry that Kagan just outlined, said duRivage. Tax reform is a good way to help families keep more of the income they earn, but it is inadequate in helping children and families with their child care needs. While the proposals do preserve parental choice, they do little to help maximize the best choices because they leave intact an industry that is failing in many ways. Further they do not address health and safety needs or ensure the right of parents to visit facilities.

She said that, unlike the "grants-based approaches" which subsidize fully the child care needs of very low income families, the "tax-based approaches," provide relatively little relief. If a low income family must pay 20% of their income on child care, a family with a $10,000 income would pay on average, $2,000 for child care per child. The "tax-based" approach, in most cases, would defray these costs by only 20%. In addition, some tax proposals exclude older preschoolers and elementary school children from coverage. Other problems she outlined include the following.

- Several of these proposals have argued that tax credits for child care expenses discriminate against parents who care for their children. This is a misunderstanding. Under our tax system only families with the same incomes are compared in determining ability to pay taxes. Families with lower incomes already pay lower taxes because of progressive tax rates. The question is whether families with the same incomes but differing ability to pay (because of child care expenditures) should pay the same amount in taxes. Our current system says no, and through the Dependent Care Tax Credit tries to assure that only families with the same income and the same ability to pay taxes actually pay the same amount in taxes. It seeks to help the lowest income families with children offset their tax liability and receive needed income support through the earned income tax credit.

- Some of the new proposals would change this tenet of tax fairness and pit families of different incomes against one another. duRivage added that these proposals contain a double standard whereby through these tax proposals we value the contributions of mothers who stay home, yet in welfare reform Congress has chosen not to value similar contributions by welfare mothers and require them to become employed.

Finally, she noted that the tax bills cost as much or more than the grants-based approaches.

Points Raised During the Discussion

- Haskins opened the discussion by challenging some of Kagan's and duRivage's comments. He stated that the supply for child care is responding quite well to increased demand with only a few discrepancies. Costs of child care have not increased dramatically and are currently around $40 to $45 per week. He agreed that the quality of care, however, is an area where we do not have as much knowledge. Yet he cited the excellent 1981 study of family day care as evidence that despite the horror stories the quality of family day care homes appears good. He said that before government intervenes there must be clear evidence that the quality is poor. Otherwise, he warned, government will do more harm that good and government intervention will raise the price of child care.

- Hawkins agreed that the family day care study, in which data was collected in 1979, showed that although family day care providers often do not have child development training they do provide quality care in other ways, such as having small group size.

- A participant asked why we can not do more along the lines of Head Start which is a very effective program? Why create new child care programs? Haskins replied that Head Start is a good way for government to try to provide equal opportunity to families but that there is only one small study that proves that the money invested in these children will pay off later. Contrary to the general impression, there are no long term studies to prove Head Start's effectiveness. He also stated that to believe that these preschool programs can solve all the many problems of underprivileged children is a mistake.

- Kagan disagreed and stated that Head Start has demonstrated both short and long term social benefits. In response to Haskins assertion that costs of care had not increased

dramatically she said that the cost of child care has not remained reasonable for low income families. According to studies by Hofferth and Maynard low income families pay 20-26% of their income for child care which is a real strain when you also consider that two thirds of poor renters are spending half of their income on housing, said Kagan.

- How much income does a family have to make before working is more beneficial than staying on welfare, asked a participant? And at what point is a transitional subsidy for welfare participants irrational because it would be cheaper to let them stay on AFDC than to continue to support child care while they work?

  Kerachsky answered that he could not give an exact income level at which a family could meet all its costs that are incurred by working. He further said that he feels it may be irrational for the government to subsidize child care, on an income-conditioned basis, in order to allow mothers to work. Child care subsidies are not that expensive, and the benefits, which can include income gains, a sense of independence, a positive role model for children, and developmental gains for children, may be substantial.

- Is there evidence that black families prefer formalized child care and that white families prefer a family day care home arrangement? Hawkins said that preference is more closely linked with age of child rather than a family's race.

***Additional References**

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Mothers-at-Home. *Mothers Speak Out on Child Care*. A report of the public policy study group. April 1989. Available from Mothers-At-Home, Department. C.P., P.O. Box 2208, Merrifield, VA 22116.

Overview of Selected Child Care Tax Proposals
April, 1989

Authors	Adjusted for Family Size?	Ages	Credit Description	Maximum Cash Benefit	Flat Area (income level)	Phaseout Begin	Phaseout End	Phaseout Rate
Current Child Tax Credits								
Dependent Care Tax Credit	Yes (2)	0-12	20% to 30% of expenditures on day care up to maximum of $2400 for 1 child & $4800 for 2 or more children	1 child: $480-$720 2 kids: $960-$1440	None	$10,000	$28,000 (ends at 20% rate which applies to all incomes over $28,000)	1 child: 1.2% 2 kids: 2.4%
Earned Income Tax Credit	No	0-18	14%	$874	$6,244-9,850	$9,850	$18,575	10%
Selection of Proposed Child Tax Credits								
Petri	Yes (4)	0-15	15% base plus: 10% age 0-5 5% age 6-15	$1050 1750 1400	$7,000-8,000	$8,000	$21,000-26,000 (exceptions)	10%-17%
Tauke/ Domenici	Yes (3)	0-4	12% 1 child 18% 2 children 24% 3 children	$1000 1500 2000	$8,333-10,000	$10,000 10,000 10,000	$20,000 25,000 30,000	10% 10% 10%
Holloway/ Schulze	Yes (2)	0-5	12% 1 child 24% 2+ children	$1000 2000	$8,333-10,000	$10,000 10,000	$45,000 45,000	1.5% 1.5%
Bush	Yes (no limit)	0-3	14% per child	$1000 per child	$7,143-8,000	$8,000 (changes in out years)	$13,000	20%
Downey/ Gore	Yes (2)	0-18	21% 1 child 30% 2 children	$1430 2043	$6,810-10,740	$10,740 10,740	$20,270 20,920	15% 20%
Johnson	Yes (3)	0-5 (same as current EITC above age 5)	14% 1 child 21% 2 children 28% 3 children	$1000 1500 2000	$7,143-8,000	$9,340 8,000 8,000	$19,340 23,464 28,408	10% 9.7% 9.8%
Coats	No	0-5	7.5% 1 child	$1000	$13,316-20,000	$20,000	$25,000	10%

TABLE 4

Choosing Among Alternatives:
What Do You Want From A Child Care Bill?
April 28, 1989

Criteria*	Grants	Tax Credits
Equity:		
Family Income (Vertical)	_____	_____
2 vs. 1 working parent	_____	_____
Parent Preference	_____	_____
Cost	_____	_____
Market Issues:		
Supply	_____	_____
Price	_____	_____
Quality	_____	_____
Federalism	_____	_____
Work Incentive	_____	_____

*Possible criteria for selection among tax credit bills:
- --simplicity
- --marginal tax rates
- --targeting
- --cost
- --parent choice

FEDERAL CHILD CARE POLICY: CURRENT AND PROPOSED

Background Briefing Report

INTRODUCTION

The care of preschool children is no longer considered to be the sole responsibility of parents. The dramatic rise in maternal labor force participation combined with changing public attitudes about poverty and dependency have legitimized government involvement in a problem that was previously regarded as a matter for families to resolve themselves.

Since the mid-sixties the federal government has enacted a number of programs to provide various kinds of support for child care and early childhood education. State governments have frequently supplemented this support. Although child care became less visible on the public policy agenda in the eighties, and some service programs were cutback, total federal child care expenditures continued to expand through increased tax breaks for child care.

Over the past three years child care has emerged by general consensus to be one of the most pressing social policy needs. Over a hundred bills have been introduced in the U.S. Congress by both Democrats and Republicans to expand federal support for child care. However, there remains considerable disagreement about the nature and severity of the child care problem, the proper goals of federal intervention, and which strategies and level of resources are needed to achieve these goals.

Proposed child care legislation needs to be assessed in the context of research, policy goals and the framework of existing programs. The research findings presented at our first two seminars on January 13 and March 31, 1989 on the nature of the "crisis" in child care provide background information for a critical evaluation of the bills under consideration. After recapping some of these major findings, this briefing report first identifies the goals that underlie the various child care proposals. The report then provides a summary of trends in current federal and state child care and early education programs, and discusses some of the issues involved in the implementation of the child care assistance provided in the newly enacted welfare reform legislation, the Family Support Act of 1988. Next it briefly describes several of the major pieces of legislation currently before the U.S. Congress. Finally, we suggest key questions that need to be raised about these proposals from a family perspective.

Definition of Child Care

A complication in the child care debate is the basic disagreement over how child care is to be defined, reflecting basic differences in goals and values.

- Some only count as child care programs whose purpose is to replace the care of the caretaking parent while she (or he) is at work outside the home. Their primary interest in child care is as a *support to employed mothers*.

- Others believe that any program or situation in which others (than parents) are caring for children should be counted as child care even if the purpose is primarily developmental and

educational and the parent is not employed. Their primary interest in child care is *as a service for children.*

- And most recently, some advocates, including President Bush, have argued that child care policy should not discriminate against families in which mothers choose to stay home and should support equally both parental care and non-parental care of preschool children. Their primary interest in "child care" is *as a support for young families*, especially more traditional families partially in the belief that maternal care is better for children.

Some Facts About Child Care

Another complication is that known facts about child care are complex and often obscured in the heat of the discussion. At risk of over simplification, we repeat a few of the most salient facts as a preamble to the policy discussion that follows.

- The rise in labor force participation of mothers, especially mothers of preschool children, has been dramatic and is expected to continue. In 1987 about a half of preschool children (11.2 million) had mothers in the labor force. Of these, about 1/3rd worked part-time. If present trends persist, by 1995 there will be just under 15 million preschoolers with mothers in the labor force.

- However these data do not imply that most young children are being cared for in day care centers or outside the family. While there has been a substantial shift toward more use of center care especially for the three to five year olds, only 23% of children whose mothers work are receiving care in child care centers. About 3/4 are being cared for in a home setting; about half of these by their fathers or other relatives and the others by family day care providers.

- While non-familial child care is clearly a pressing need for growing numbers of families at all income levels, these data show that family members (including mothers, fathers, and relatives) remain the major providers of care for America's preschool children.

WHAT IS THE PROBLEM IN CHILD CARE?

(For more detail the reader is referred to the first two child care seminar background briefing reports and testimony given by Sandra Hofferth, Rebecca Maynard and others at the Senate Finance Committee hearings on April 18, 1989.)

Given the dramatic increase in maternal employment and the rapid growth of the child care industry it is surprising how little is known about the child care market. Our first two seminars revealed large gaps in the research about the availability, affordability, and quality of child care. New national studies are underway that will remedy some of these gaps. Meanwhile many advocates and parents assert that child care is very hard to find, is too expensive and much of it is unsafe or of inadequate quality. They imply that many children are left without care while their parents work. In addition many argue for the need to improve the quality of child care.

Researchers at our first two seminars stated that the evidence does not support such global statements about market failure. Overall, in economic terms, the market has responded reasonably well to the greatly increased demand for child care. The panelists pointed out that there is no evidence of widespread shortages, prices of child care have not risen significantly, and, on

average, parents pay only 10% of their income on child care expenses. There are very few preschool children who are not being cared for.

However the panelists agreed that several significant problems exist which certainly justify government intervention in the child care market. In addition there are a number of social goals which provide good reasons for additional government support.

The problems in the child care market include the following.

-- Serious shortages of certain types of care exist, particularly for infants and toddlers and children with special needs (chronically ill or handicapped).

-- There is evidence that parents' preferences are not being satisfied. Although, when surveyed, most parents report they are satisfied with their child care arrangements, many also report that they would prefer another child care arrangement that was of a higher quality (for the same price).

-- Child care costs are unacceptably high for low income families. Child care costs for one child can consume 25% or more of low income families' budget (30% of the mothers' income) leaving insufficient money for other basic expenses. Thus, many low income mothers who cannot obtain free or low cost care, cannot afford to work.

-- Child care quality. In spite of alarming stories reported in the media suggesting that unlicensed care may be dangerous and unsafe, there is little research to support that this is a widespread problem. However, there is some evidence that group care exposes children to a greater risk of illness and infectious diseases. There is clear evidence that center staff and licensed and unlicensed family day care providers have unacceptably high rates of turnover which is harmful for the children in care. And there is some evidence that high quality care improves the school achievement and adjustment of disadvantaged children.

-- One of the major imperfections of the market is that it is largely informal and very poorly organized. Providers, especially family day care providers, do not advertise. Thus part of the problem lies in the perceived shortages due to the lack of information about the care that is available.

-- There are a number of barriers to expanding the supply of care that may result in shortages in particular areas and communities such as local restrictive zoning requirements, inadequate planning and coordination of existing programs, the high costs of the initial capital investment required to meet licensing standards, insurance liability problems etc. These are problems that cannot be dealt with by the untrammeled workings of the market.

THE GOALS OF CHILD CARE POLICY

(Sources: Children's Defense Fund, 1987; Committee for Economic Development, 1987; House Republican Research Committee, 1989; Hartmann, 1988; Marx, 1985; Rector, forthcoming; Reisman, Moore & Fitzgerald, 1988; Stephan, 1987; U.S. Dept. of Labor, 1988)

There are several different goals that federal child care policy aims to address. Individual programs or proposals may target one, several, or all of these goals. The many organizations and

constituencies that support these broad objectives do so for a variety of reasons. The primary goals, stated explicitly or implicitly, of current and proposed child care policy are listed below.

Goal I: To Assist and Encourage Maternal Employment.

Many assert that the primary goal of child care is to enable the caretaking parent, usually mothers, to be employed outside the home. Yet some hold that only particular types of families should receive such employment related assistance from the government: for example single parents, very low income parents, welfare recipients, or mothers of handicapped children. Others believe that all mothers (except those of high income) deserve public help with child care if they wish to work outside the home. There are several separate rationales for wanting to support and encourage maternal employment.

- **Families' economic need.** Surveys confirm that the large majority of mothers seek employment in order to improve their families' economic situation. Lower real wage rates and higher effective tax rates have lead to a substantial decline in the standard of living of families with young children. In addition, growing numbers and rates of female headed families have contributed to the rise in child poverty. In single parent families, maternal employment is an economic necessity. In many two parent families mother's earnings can lift a family above the poverty level and cushion periods of the father's unemployment.

- **The equity argument.** It is women's right to participate equally with men in the labor market. Giving birth and having preschool children at home constitutes a significant barrier to equal opportunity in the labor market. Government, and to a lesser extent employers, should help overcome this barrier by subsidizing child care. Women should not have to bear the full costs of having children, these costs need to be shared with other sectors of society. In addition the costs of child care should be considered a legitimate business expense and, hence, deductible. (This argument was the basis for the original child care tax deduction, now a dependent care credit.) The current tax code favors the traditional family, and creates a disincentive to maternal employment. Child care tax credits and other types of subsidy help to redress this balance.

- **Needs of the economy.** Individual employers who face a tight labor market need to hire women and therefore may provide their own resources to assist families with child care so mothers can be employed. (Hence, for example, hospitals who face acute shortages of nurses operate their own child care centers.) It is also argued that unstable or inadequate child care places a strain on employed parents and adversely affects productivity. The broader needs of the economy as a whole to attract and retain women in the labor force is given as an argument for government support of child care.

- **Strategies to improve family poverty and promote self-sufficiency.** Those who are concerned about poverty and/or welfare dependency, especially of female-headed families, point out that studies have shown that government support of child care for low income families and/ or welfare recipients is critical to helping parents improve their economic situation by facilitating their labor force participation. Given current budgetary realities, they assert that federal child care assistance should be solely, or primarily, targeted on low income families.

Goal II: To Protect and Enhance Children's Cognitive, Emotional and Social Development.

Early childhood educators' and child development specialists' primary argument for government child care support is based on the benefit children derive from quality preschool programs and the harm that may come to them from low quality, unsubsidized care. They point to the research

evidence from the experience of Head Start and other early intervention programs that demonstrates the cognitive and social gains for children who attend such programs.

As revealed in our second seminar, the evidence for these gains from quality care is not as strong as many would like to claim, but it is clear that low income disadvantaged children in particular do receive both immediate and long term benefits from preschool programs with a developmental and educational component. (It is also likely that their families benefit in a variety of ways though this has not been the subject of the research.)

There are two primary rationales underpinning arguments for developmental, that is quality, care, for preschool children; one justifying universal access, the other restricted to low income families.

- **Universal access to a public good.** Advocates argue that the long run goal of national child care policy should be to extend free public education downward into the preschool years as an option for any family which chooses to use it. The analogy they use is that of secondary education which is highly subsidized by states for any resident who meets minimal requirements. Subsidized preschool child care should be similarly available to all. The assumption is that preschool education and child care improves the performance and well-being of children and that society as a whole benefits from such public investment. If child care does not receive public support, it is more likely to be of low quality, and children may suffer.

- **Breaking the cycle of poverty.** Some advocates of developmental care believe public support should be solely or primarily targeted on providing quality child care to those children from highly impoverished families who stand to gain the most from good developmental care. For such children, participation in a child care program is much better for them than remaining home with their mothers. Through improving children's educational achievement and social adjustment quality preschool child care programs hold out hope of preventing the intergenerational transmission of poverty. It can also help the parents improve their economic situation which in turn will benefit the children. High quality, comprehensive programs like Head Start are also a vehicle to provide much needed health and social services to disadvantaged children and their parents.

If they also view a major purpose of child care as facilitating maternal employment, advocates of improved child development may promote government support of quality full- day child care, preschool education programs or family day care homes. (It is important to note that there is a gradual trend for Head Start programs to expand their services, in collaboration with other programs, in order to serve parents of children who are enrolled in job training or employment programs.)

However if maternal employment is a less important, secondary goal the advocates may focus solely on expanding the numbers of children who attend Head Start or other preschool, half-day programs.

Strategies to improve quality sometimes can become goals in themselves. For example some programs or proposals specifically target improving child care workers' training and credentials, or aim to upgrade their salaries, benefits and career ladders.

Goal III: To Support Young Families and Maximize Their Choices

An important argument for providing additional public resources to young families with children in general is that, relative to other groups in society, their real incomes have been falling in recent

decades and the percentage of those in poverty has risen substantially (Congressional Budget Office, 1988; Johnson, Sum & Weill, 1988).

Many child care proposals, from both the left and the right, state that one of their goals is to "maximize parental choice." However, they mean different things by this phrase. For example it may mean:

-- Providing financial subsidies in sufficient amounts and in a manner that permits parents to choose any type of child care arrangement that is available, including licensed or unlicensed care, sectarian sponsored care and being able to pay relatives.

-- Assuring that there is sufficient supply of different types of care in the community, and information about the care that is available, so that parents are in fact able to choose from a variety of alternatives. However some believe that parents using subsidized care should be restricted to only certain types of care i.e. licensed care, non-sectarian care, and may exclude using relatives. Others believe that all types of care should be permitted for subsidy, and that parents must be the judge of what is adequate or best for their child.

-- Providing financial assistance to families with young children that is not tagged to maternal employment at all. Such an approach permits parents to choose either to care for their child themselves, or work and use free relative care or work and pay someone else to care for their child. And it avoids discrimination against the traditional family where the mother cares for her children herself or uses others in the family (husband or other relatives) to do so.

Policy Dilemmas: When discussions revolve around strategies to accomplish these objectives serious dilemmas and tensions arise. For example, when faced with budgetary constraints, advocates admit that there is a tradeoff between quality and affordability; better trained and paid staff lead to higher costs and prices and/ or the need for higher subsidies. And the desire to improve the quality of care through imposing standards may clash with parents' right to choose the kind of informal or more convenient care they prefer or care that is least expensive so they can maximize their return from their earnings. The goal of helping more mothers work may conflict with the goal of improving the salaries and working conditions of family day care providers and child care staff who are mostly women. And policies that help mothers in two parent families stay home if they choose conflict with policies that require single parent mothers on welfare to go to work.

REVIEW OF CURRENT FEDERAL POLICY

(Sources: Barnes, 1988; Besharov & Tramontizzi, 1988; Goodman & Brady, 1988; Marx, 1985; Robins, 1988; Schillmoeller and Stephan, 1988)

Trends in Federal Policy. Proposals to expand federal support for child care need to be assessed in the context of the considerable number of programs that already exist. Current federal child care policy consists of an uncoordinated, fragmented, patchwork of programs enacted to meet specific needs. When a broad definition of child care is used (including all types of non-parental care), the federal government currently provides child care assistance through at least 22 separately funded programs which are summarized on Table 1. page 19 (Robins, 1988). The Congressional Research Service has identified 28 programs (Schillmoeller & Stephan, 1987, 1988).

Most of these programs are not specific to child care, but fund a range of services which include various types of direct and indirect assistance for child care. For example, they provide financial help to help families pay for all or part of the cost of child care, funds for programs to improve the nutrition of children attending child care, and for the training of child care staff. These programs also vary with respect to the population eligible for assistance and whether standards are imposed as a requirement for assistance.

Robins (1988) suggests that these programs can be grouped into three different categories:

1. Supply subsidies, such as Head Start, and the Child Care Food Program;
2. Demand subsidies such as the Dependent Care Tax Credit and the work-expense disregard in AFDC; and,
3. A combination, such as the Title XX Social Services Block Grant, in which states can use the monies for direct subsidies to child care facilities or to fund vouchers provided direct to parents.

Many of these programs were originally enacted in the sixties, and were targeted to low income families as part of the federal effort to ameliorate poverty. Two major attempts in the seventies to enact broad comprehensive federal support for child care failed when Nixon vetoed the Child Development Act of 1971 and when, in the Carter Administration in 1979 a major bill introduced by Senator Cranston never received Administration support and was withdrawn. Several actions of the Reagan Administration in 1981 resulted in substantial cuts in the levels of federal funding for child care provided under Title XX and other federal programs targeted on low income families. Although some of these funds were partially restored in 1983 and 1984, inflation, a national recession and tax cuts enacted by some states prevented expansion in funds for low income child care. These cuts, together with the absence of any major new federal comprehensive legislation have given the public the false impression that federal support for child care has diminished overall.

In fact federal support for child care has more than doubled over the past fifteen years. This expansion of federal support has been almost entirely due to the dramatic expansion in child care assistance provided under the tax code, primarily under the Child and Dependent Care Tax Credit. However, excluding the tax credit, federal spending for child care declined by almost 25% in constant dollars from 1977 to 1986 (Robins, 1988).

It is somewhat difficult to detail precisely the amounts of federal dollars spent on child care because many of the programs do not provide this information. Nor is data available on how many children are served by federal day care dollars overall. However two recent attempts have been made to estimate the levels of federal child care spending. Their estimates of total federal child care expenditures range from $5.5 billion (in 1986) to $6.2 billion (in 1987). (See Besharov, 1988 and Robins 1988). Table 2 on page 19 indicates the levels of federal spending for child care for the ten largest programs from 1977 through 1986. Four programs currently account for more than 90% of all federal spending for child care: Head Start, the Child Care Food Program, employer subsidies, and the dependent care tax credit. Federal spending on the child care tax credit program increased from a total of $521 million in 1977 to $3.4 billion in 1986. This increase in tax expenditures reflects more families using the credit, due in part to liberalized provisions, rather than greater subsidies per family.

These trends in federal child care spending have resulted in a major shift in the primary beneficiaries of federal assistance from lower income families to middle income. In 1977, Title XX, targeted on low income families, was the largest source of federal funds for child care, accounting for about 40% of the total, but in 1986 it had dropped to only about 7% of federal spending (Robins, 1988). Low income families hardly benefited at all from the child care tax

credit: only 3% of the total credit awarded goes to families at the bottom 30% of the income distribution. In contrast, families in the top 30% of the income distribution received almost half of the total credit (Barnes, 1988).

These different federal child care programs are administered by several departments and agencies and there is no central coordinating office at the federal level. At the state level there is a considerable degree of overlap and confusion created by the interaction of several of the major federal grants programs which each have different methods of determining eligibility and program requirements. One problem that results is that when their income changes there are incentives to families to change their child care arrangements in order to maximize their subsidy. And the interaction between the various child care provisions of the tax code also creates some perverse incentives and inequities (Robins, 1988).

Trends in State Child Care Policy: the Challenge of Coordination.
(Sources: Flaim, 1988; Gnezda, 1987, 1988; Goodman & Brady, 1988; Marx, 1985)

During the 1980s, state legislatures became much more actively involved in providing state funds for child care and early childhood programs. The major emphasis to date is on reducing the costs of child care to low income families. However, there is a developing trend toward reducing child care costs of working families at all income levels. For example the Massachusetts legislature in 1988 established a special commission to plan universally accessible high quality early childhood programs from birth through age eight. As a first step the Commission will propose legislation targeted on 3 to 4 year olds by the end of 1989.

In addition to providing state matching funds for federal programs such as Title XX, states have initiated state tax credits and deductions, established child care for state employees, supported training of child care providers, and funded, often in collaboration with private sources, extensive information, resource and referral networks (California's program is the most extensive).

In addition, states have been expanding their investment in preschool education. By 1987, nearly half the states were spending state monies on early childhood education programs. These funds were usually allocated to public school districts but sometimes to other community based organizations and generally target children "at risk." Concern has been expressed about the perceived competition between school based preschool programs and Head Start since they are targeting the same children. School based programs are different in their stronger emphasis on an educational curriculum, have lower staff/child ratios, and do not provide comprehensive services or require parental involvement. Moreover, since school based requirements for teacher qualifications are higher than Head Start's, staff salaries are higher and tend to draw better qualified teachers away from the Head Start programs. Since there are no funding mechanisms that require or encourage coordination between Head Start and other preschool programs, considerable overlap, duplication and confusion may exist in some communities, and serious gaps in service in others.

State and local communities, together with the private sector, have funded a number of state wide and community level activities that are believed to be essential to the expansion of quality child care and that do not emerge as a result of the normal forces of consumer demand. These activities are described as child care "capacity building" -- namely, supporting individuals and groups to identify specific needs and gaps in services, plan new programs and coordinated approaches, and mobilize resources from private and public sectors.

The Family Support Act 1988 and Child Care.
(Sources: DHHS, 1989; Rovner, 1988)

The new welfare reform legislation, the Family Support Act of 1988, represents a major shift in public opinion towards the employment of welfare mothers. The Act requires parents of young children over 3 years old who receive AFDC to enroll in the new Jobs Opportunities and Basic Skills program (JOBS). At state option, parents of children ages 1 to 3 may also be required to enroll. Most of these parents are single mothers. Thus child care is an essential prerequisite to their training and employment. Young mothers who have not graduated from high school are required to complete their schooling irrespective of the age of their child.

There are currently 3.5 million preschool children in welfare households, about 40% of whom are over age 2. Maynard (1989) in recent hearings testimony projected that full implementation of the Family Support Act would result in the majority of these children being placed in full-time or nearly full-time care increasing the demand for non-parental care by as much as 10%.

There are two important sections of the Family Support Act that provide child care assistance to welfare recipients. The first is the guarantee of child care as one of several support services to those recipients who enroll in the new JOBS program. And second is the one year of transitional child care guaranteed after the former recipient becomes ineligible for welfare assistance.

Guarantee of child care to JOBS participants. States must provide child care to any potential JOBS enrollee if such aid is necessary for the parent's participation in the program. Payment for child care may not exceed applicable local market rates, and the value of this care cannot be treated as income or claimed as a tax expense. Federal funding for this child care is an open ended entitlement to be matched by the state at the same rate as Medicaid. Child care provided must meet applicable standards of state and local law, and allow free parental access. Thirteen million dollars is allocated for the first two years to grants to states to improve their child care licensing requirements and procedures.

Transitional child care assistance. Beginning April, 1990, states must provide an additional one year of child care assistance to former recipients who need care for their employment but who have become ineligible for assistance due to increased earnings, increased hours of work or loss of the earned income disregard. States will be required to provide this care either directly or indirectly, and families must contribute to the cost of the care through a sliding fee scale.

This welfare reform law presents several difficult and complex challenges for implementation. The notice of proposed rulemaking for Title III of the Family Support Act, Child Care and Other Work Related Supportive Services, was issued by the Department of Health and Human Services on April 18, 1989, for public comment by June 19, 1989 (DHHS, 1989). These rules clarify some areas of ambiguity in the legislation including the following.

-- The child care guarantee does not mean that paid child care must be available for every JOBS participant, nor does it guarantee a choice of different types of care. Since, frequently, child care is provided informally at no cost, in determining whether child care assistance is necessary the state IV A agency may take this informal care into account.

-- The child care is guaranteed for dependent children under age 13 including those receiving SSI and foster children (who are not eligible for AFDC assistance).

-- If more than one kind of care is available, families may choose any kind of care. This includes family day care and sectarian care that meets states regulatory standards or when the state exempts these from any regulation. They may also use relatives either outside or within the child's home who can be paid in advance or reimbursed.

-- Funds are not to be used to expand the supply of child care directly through resource development or training.

-- In suggesting methods for determining market rates, the rules mention that allowances should be made for different rates for part-time and full-time care, and for the age of the child.

-- The state has the responsibility of informing the recipient at least twice about the transitional child care benefits that are available, once at the time of termination of the AFDC benefits. The participant must apply for the transitional benefits in writing.

Numerous questions remain, however, about how the program will be implemented. One important issue for policymakers is how much the child care services in the program will cost the states. This will be determined by the extent to which the JOBS program participants use financial help for their child care. State work and training programs for welfare recipients have consistently overestimated by substantial amounts the money they need to allocate to support child care of their participants. A Congressional Budget Office estimate of the potential costs of the transitional child care program in the Family Support Act projects that only about a third (36%) of the children eligible for transitional care subsidies are expected to participate, reducing potential program costs (CBO, 1989). The remaining children are expected to continue to be placed in informal and unpaid child care arrangements. It is unclear whether so many AFDC families do not use the child care subsidies out of preference for their own sources of informal care, because the welfare workers are not assertive enough in telling them about the availability of subsidies, or because the type of subsidy available does not meet their needs (for example it may be in an inconvenient location).

Another concern about the transitional child care assistance that was voiced in the hearings on the bill was that recipients who after a year of employment because no longer eligible for child care help might then quit their jobs to become eligible for AFDC and the child care subsidy once again. This concern will be addressed in a study of the "recycling" issue required by the Act.

PROPOSED POLICY

(Sources: Barnes 1989; Campbell, Vargyas, Novak 1989; Congressional Budget Office; Stephan 1989, 1989; Willer, 1989.)

The consensus among policymakers that child care has become a major national concern spurred over 100 bills in the 100th Congress. Four months into the 101st Congress, child care is again at the top of the social policy agenda with numerous bills being considered. This diverse collection of bills can broadly be grouped into three categories: the grants approach, whereby the federal government gives grants to state governments to improve child care services; the tax approach, whereby the federal government gives a tax break to families with young children; and a combination of the grants and tax approaches.

Grants-Based Approach

Under a grants-based approach states are given grants from the federal government to be used to subsidize the cost of employment-related child care for low to moderate income families, increase the supply of child care, and improve child care quality.

This approach uses several different vehicles for distribution of funds such as setting up a new block grant program in HHS, expanding existing programs like Head Start or Title XX or existing school-based preschool programs. Some proposals earmark money for much needed services like infant care, resource and referral services and before and after school care. Grants-based approaches usually build in a number of requirements and conditions about how the money is to be spent and what it should be used for.

The major bills that use this approach are as follows.

The Act for Better Child Care (S. 5/H.R. 30). Sponsored by Senators Dodd and Hatch and Rep. Kildee, the ABC bill is the most comprehensive in scope and places the most requirements on states. It establishes a new federal program within the Department of Health and Human Services to provide grants for improving child care services. A new position, an Administrator of Child Care, would be created within the Department of Health and Human Services.

The ABC bill would be authorized for FY '90 at $2.5 billion in the House version of the bill, and $2.6 billion in the Senate version. Seventy percent or more of the funds must be used to provide child care assistance to low income families in the form of vouchers or to providers to enable them to provide low cost child care to eligible families. Families can choose to use the subsidy for any kind of care including relatives if they meet state guidelines. Twenty two percent of funds may be used for improving child care quality through the establishment of resource and referral systems, enforcement of national health and safety standards, raising the salaries and training levels of child care employees, making grants or low-interest loans available to providers for improvements etc. In the Senate bill a portion of the funds could also be used for liability insurance pools to help providers afford high cost insurance. Funding for the Head Start program would also increase under this bill. Eight percent of the monies could be used for administrative costs. The states must meet a number of requirements under the bill.

The ABC bill would provide financial assistance with the costs of child care to families earning 100%, or 115% in the House version, of the state median income. The national average median income for a family of four is $34,716. The bills require that state plans "give priority for services to children with the lowest family incomes." Other families may be eligible for the supported child care if they pay fees based on a sliding income scale.

The original ABC Bill introduced in 1987 aroused a great deal of controversy about its restrictions on funding child care programs operated under religious auspices. Compromise language was carefully negotiated for the revised 1989 Senate version of the bill which permits funding sectarian organizations, but if public funds constitute 80% or more of their income, these programs must agree not to discriminate in employment or admissions on the basis of religion. (These are the standards in place in the Head Start program.)

This bill proposes that regulation of the child care industry would take place at the Federal level. A National Advisory Committee is to be established comprised of child care professionals, health and safety experts, parents, teachers government officials and others to write minimum health and safety standards. All child care programs receiving federal money would have to meet the

minimum standards not just those funded under the ABC program. States would have five years to come into compliance with the standards.

The **Hawkins bill (H.R. 3)**, also would provide $2.5 billion but would funnel the money through several existing programs. The money is split between 3 approaches: Title I funds an expansion of Head Start; Title II, an expansion of before and after school care or early childhood development programs for 4 year olds; and Title III provides grants to eligible providers including family day care homes for children under age 3 (with a special emphasis on infants) whose parents are working or are in training. States are encouraged to use the monies to supplement and expand on existing programs, for example, Head Start programs could be expanded to full day, and full year.

Working poor families are targeted for assistance through this bill. Families with incomes between 100% and 150% of the lower living income standard would be eligible for assistance on a sliding fee scale. (In 1988 the lower living income standard for a family of four was approximately $18,000, and 150% was $27,450). Families whose incomes are below this level would not have to pay for the services. There are various requirements on the state in this bill.

Unlike ABC this bill does not provide money in Title III for certificates (i.e. vouchers) in an attempt to avoid state funds being used for religious purposes. Like the Senate ABC bill the Hawkins bill would allow for direct funds to religious institutions provided the institutions does not discriminate on the basis of race, sex, or religion in hiring or admissions. The Hawkins bill includes the same proposed system as the ABC bill for establishing a National Advisory Committee on Child Care and for a federal Administrator of Child Care.

Smart Start (S. 123), introduced by Labor and Human Resources Chairman Senator Kennedy, would authorize $500 million for an early childhood development program aimed at 4 year olds. One difference between this bill and others is that it does not require parents to be working or in training (e.g. welfare parents can take advantage of it). Two-thirds of the funds and one half of the slots funded are to be for families below 115% of the poverty line, which was $13,397 for a family of four in 1988. Those with higher incomes would be charged on a sliding fee scale. The centers would be available for the full working day to make them available to working parents. Priority is given to already existing programs such as local education agencies and Head Start providers.

Standards for these programs would need to be in compliance with the National Association for the Education of Young Children's criteria for programs serving four year olds.

In the course of the debate over the last two years a number of criticisms have been made about the grants-based approach to the child care problem. Some apply to the approach in general, some are based on perceptions about specific bills. They include the following:

- Several of these proposals do not effectively target low income families because the language is too vague and the eligibility requirements include giving assistance to middle income families.
- Church sponsored child care (a major provider of care) may not be eligible for the direct subsidies because of the possible restrictions imposed to prevent federal money being used for religious purposes.
- By subsidizing only working parents who use non-parental care, they discriminate against the families that care for their own child.

- Some do not provide a wide-range of options, for example, they may not permit using relative care, religious based care, or family day care that is not licensed.

- States and localities, not the Federal government, should be responsible for regulating child care as they can be more responsive to local needs.

- The bureaucracy needed to distribute grants and enforce the federal standards are viewed as too costly and takes away money that could be used to pay families' child care expenses.

Tax-Based Approach

Tax-based approaches allow families to keep more of the income they earn by allowing them to take a credit to reduce their tax liability. Some approaches permit the credit only to be used to pay child care expenses, others allow the credit to be used for young children regardless of whether or not parents pay others to provide child care. President Bush supports both these approaches. One theme that is present in most of the proposed tax approaches is a desire to distribute child care tax credits to very low income families by making the credit refundable (that is, to reach families that pay little or no taxes). Most of the credits are phased out as income rises. Examples of bills that use this approach are as follows.

The **Bush proposal (S. 601/H.R. 1466)** sponsored by Republicans Senator Dole and Rep. Michel is a $2.2 billion a year bill in two parts. The first would allow up to a $1,000 per child new tax break to families with at least one working parent and child under age 4. Initially, only families with incomes under $8,000 are eligible to take the full credit. The credit is phased down for families earning up to $13,000 a year. The second part changes the Dependent Care Tax Credit to make it refundable. Families would choose whichever credit gives them more money. The bill would create a system by which an employee could collect his/her tax rebate every pay period rather than waiting until the end of the year. Bush's proposal also includes a $250 million expansion of Head Start under separate legislation.

The **Holloway/Schulze** bipartisan **bill (H.R. 2008)** known as the "toddler" tax credit, provides a refundable tax credit of up to $1,000 per child for families to use in purchasing or providing care for their children under age six. All families with annual incomes below $50,000 would be eligible for this credit. The Holloway-Schulze Bill, which would be phased in gradually, would reduce federal revenues $1.5 billion the first year, and an average of $2.8 billion per year over the next five years.

In the recent debate critics contend that these tax-based approaches by themselves are too narrow and do not address the problems in the supply and quality of child care. These criticisms include the following.

- The credit only provides a small amount of money (around $1000 per child at the most) which is not enough to pay for child care.

- Proposals that also provide assistance to families that care for their children should not be called child care proposals. They are in effect a child/family allowance that supplements parent's wages or salaries.

- Proposals that support the stay-at-home mother discriminate against single-parent families for whom remaining at home is not an option.

- The credit does not directly increase the supply of child care or address other imperfections in the market.
- They do nothing to assure or improve quality.
- Some of these proposed credits do not allow families a deduction for dependent care expenses for elderly or sick adults, which are often very high whereas the current dependent care tax credit does.
- Poor families who do not pay taxes will often not be able to benefit from these proposals, since even refundable tax credit mechanisms do not always get money into their hands.
- Some of these bills do not allow the credit to be used for school-aged child care.

Dual Strategies: Tax-based and Grants-based

As a result of the debate over which approach offers the most benefit to families several bills have attempted to use both strategies. Examples of these bills include the following.

The **Moynihan/Packwood (S. 412)** bi-partisan bill would provide a child care tax credit to families that have to pay for child care. It increases and makes the current child care tax credit refundable for low income families. It targets families with incomes below $27,500 and allows them to deduct 30-40% of their child care expenses. To encourage an improvement in the supply and quality of child care, the bill increases Title XX, a human services block grant program, by $400 million a year. The extra funds would be earmarked specifically for child care programs.

The **Tauke/Domenici (H.R. 1840/S. 761) and Johnson/Hatch (S. 512/H.R. 1618)** These two Republican bills are also examples of proposals that combine grants and tax credits. The tax credits under these proposals differ from the Moynihan/Packwood approach by offering credit to families with young children regardless of whether they have out-of-pocket child care expenses. The credit is available to families earning between $10,000 to $30,000 depending on numbers of children. These bills would provide a refundable credit of $1,000 for the first child under age five, and $500 each for up to 2 additional children under age 5. The bills would provide grant assistance by expanding the Dependent Care Block Grants (the same program ABC would replace) by $300 million. They would also give a tax break to employers who provide child care assistance, and would create a liability insurance pool to assist child care providers in obtaining insurance. The Tauke/Domenici bill would cost approximately $3.0 billion and the Johnson/Hatch bill $3.6 billion.

The **Gore/Downey** Democratic bills **(S. 882/H.R. 882)** offer tax credits to families with child care expenses and those without. It expands the current Child Care Tax Credit to include low income families with child care expenses and the Earned Income Tax credit to help families without child care expenses. Like the Moynihan/Packwood proposal this bill would increase authorization for Title XX by $200 million but would not earmark the funds specifically for child care. This bill is the only bill which proposes an approach to finance itself. The bill raises revenues to pay for its cost by raising the marginal tax rate for very high income families (eliminating the "bubble"). Families with two children whose income is $210,000 or over would have their marginal tax rate raised from 28% to 33%, which would be the same as the current rate for upper middle income families.

An analysis of the effects of these tax proposals concludes that "the Administration (Bush) plan is potentially the most targeted at the very lowest income families, but the plan serves a relatively small number of families. Principal beneficiaries are those with incomes under $11,000 and with children under 4 and are heavily concentrated in the 2-parent 1-worker group. The Downey proposal is the most far-reaching in that increased credits are available to the greatest number of low-income families" (Barnes 1989).

FAMILY CRITERIA FOR ASSESSMENT

(Source: Coalition of Family Organizations, 1988; Ooms & Preister, 1988)

Any assessment of the merits of proposed child care legislation must first consider whether it is well designed to meet the problems outlined on page 3. In addition various advocates have proposed criteria for evaluating the merits of proposed child care legislation. Such criteria are based on their views of what is best for children, or what is best for women, for parents or for society.

Criteria based on what is best for the family are somewhat different from all of these. A family perspective in policy evaluation attempts to balance the interests and needs of parents, children and all the members of a family. It is concerned with the integrity and functioning of the family both now and in the future, since society benefits from family well-being.

A family perspective assumes that, with few exceptions, young children's needs are best met through respecting, supporting and empowering their parents. Since this family perspective has been somewhat submerged in the child care discussions to date, we list below some of the family related questions that need to be asked when assessing the design and probable impact of any child care proposals. These family criteria may, of course, conflict with other criteria, or with each other. They are not proposed as paramount. We suggest they should be weighed along with other criteria in the process of analysis and evaluation.

Family Impact Questions:

- Does the child care proposal represent a significant commitment of public resources to supporting young families?
- What types of families does it help, that is by income level, family structure etc.?
- To what extent, if at all, does it target its resources on families most in need of support?
- Is the proposal responsive to the diversity of families' employment patterns, needs and circumstances?
- If the proposal targets one type of family structure and discriminates against others, how is this bias justified, for example to redress a bias in existing policy?
- In what ways, if at all, does the proposal help parents fulfill their responsibilities to provide economic support for their children?

- In what ways, if at all, does the proposal help parents promote the development and well-being of their children?
- To what extent does the proposal expand or restrict the range of choices available to parents? Does it provide information to parents to help them make wise choices?
- To what extent does the proposal respect the preferences and values of parents?
- Does the proposed policy make it easier or more difficult for families to coordinate and manage their lives? Does it emphasize convenience and accessibility? Is the process of establishing eligibility easy or complicated?
- Does the proposed policy assist families with the care of dependents of all ages or only with young children?
- What effect does any proposed financing mechanism have on the distribution of family income, that is, which kinds of families will be better off and which worse off economically?

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Prepared by Theodora Ooms and Lisa Herendeen,
The Family Impact Seminar, April 1989

Table 1

Selected Federal Programs Providing Child Care Assistance, 1987

Program	Authorizing Legislation	Type of Assistance
1. Child Welfare Services	Title V, Social Security Act of 1935 (Title IV-B since 1967)	Child care services
2. Child Care Food Program	Section 17, National School Lunch Act of 1946	Food for licensed child care facilities
3. Child Welfare Research and Demonstration Projects	Title V, Social Security Act Amendments of 1960 (Title IV-B since 1967)	Funds for research and demonstration projects in field of child care
4. Aid to Families with Dependent Children	Title IV-A, Social Security Act Amendments of 1962	Work-expense benefit for child care
5. Child Welfare Training	Title V, Social Security Act Amendments of 1962 (Title IV-B since 1967)	Funds for training child care workers
6. Food Stamps	Food Stamp Acts of 1964, 1977	Work-expense benefit for child care
7. Area Economic and Human Resource Development Program (formerly Jobs and Private Investment Program)	Appalachian Regional Development Act of 1965	Child care services
8. Head Start	Economic Opportunity Act Amendments of 1966	Child care services
9. Special Milk Program	Section 3, Child Nutrition Act of 1966	Milk for licensed child care facilities
10. Work Incentive Program	Title IV-C, Social Security Act Amendments of 1967	Child care services
11. Child Care as a Business Expense	Section 162, Internal Revenue Code, 1973	Tax deductions for child care services provided by businesses
12. Title XX (Social Services Block Grant)	Title XX-A, Social Security Act Amendments of 1974 (Block Grant since 1981)	Child care services
13. Community Development Block Grant	Title I, Housing and Community Development Act of 1974	Child care services
14. Child and Dependent Care Tax Credit	Section 21, Internal Revenue Code, 1976	Tax benefits for child care
15. Indian Child Welfare Act	Title II, Indian Child Welfare Act of 1978	Child care services
16. Dependent Care Assistance Programs	Section 129, Internal Revenue Code, 1981	Tax benefits for child care
17. Accelerated Cost Recovery System	Section 168, Internal Revenue Code, added by Economic Recovery Tax Act of 1981	Business-provided child care center eligible for accelerated depreciation
18. Community Services Block Grant	Omnibus Budget Reconciliation Act of 1981; Human Services Reauthorization Act of 1986	Child care services
19. Dislocated Workers Program	Title III, Job Training Partnership Act of 1982	Child care services
20. Job Training Partnership Act	Title II-A, Job Training Partnership Act of 1982	Child care services, child care training
21. Child Development Associate Scholarship Program	Human Services Reauthorization Act of 1986	Scholarships to candidates for child development associate credential
22. Dependent Care Planning and Development	Human Services Reauthorization Act of 1986	Child care services

Source: Adapted from Sharon Stephan and Susan Schillmoeller, "Child Day Care: Selected Federal Programs," Paper 87-303 EPW, Congressional Research Service, Library of Congress, April 7, 1987.

From: Robins, P.K. " Federal Support for Child Care: Current Policies and a Proposed New System." in Focus. Vol.11, No.2. Summer 1988. Reprinted with permission of the publisher, Insitute for Research on Poverty, University of Wisconsin- Madison.

Table 2

Federal Spending for Child Care, 1977–1986

Program	Administering Agency	Federal Spending (millions of current dollars) 1977	1980	1984	1986
Title XX (Social Services Block Grant)	Department of Health and Human Services	$809[a]	$600[b,c]	$535[c]	$387[c]
Head Start	Department of Health and Human Services	448[a]	735[b]	996[b]	1,040[c]
Area Economic and Human Resource Development Program	Appalachian Regional Commission	9[a]	11[c]	1[d]	0[d]
Child Care Food Program	Department of Agriculture	120[e]	217[b]	357[d]	484[d]
Job Training Partnership Act	Department of Labor	—	—	30[b]	30[b]
Aid to Families with Dependent Children (work-expense disregard)	Department of Health and Human Services	84[a]	60[b]	35[b]	35[c]
Work Incentive Program (WIN)	Department of Health and Human Services	57[a]	115[b]	—	—
Food Stamps (work-expense disregard)	Department of Agriculture	35[e]	35[e]	35[e]	50[e]
Tax Exclusion for Employer-Provided Child Care	Internal Revenue Service	—	—	40[b]	110[c,d]
Subtotal (1986 dollars)		1,562 (2,826)	1,773 (2,360)	2,028 (2,141)	2,136 (2,136)
Child and Dependent Care Tax Credit	Internal Revenue Service	521[f]	956[f]	2,649[f]	3,410[c]
Total (1986 dollars)		2,083 (3,769)	2,729 (3,632)	4,677 (4,937)	5,546 (5,546)

Note: Data are for the fiscal year except for child care tax credit, which is measured over the calendar year. Minor programs listed in Table 1, for which data are not available, have been excluded.

[a] U.S. Congress, Congressional Budget Office, *Childcare and Preschool: Options for Federal Support*, Background Paper, September 1978, Table 9.

[b] Private communication from William Prosser, Department of Health and Human Services.

[c] Alfred J. Kahn and Sheila B. Kamerman, *Child Care: Facing the Hard Choices* (Dover, Mass.: Auburn House, 1987), Table 1.8.

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[e] Based on quality control data from the Food and Nutrition Service, courtesy of Julie Isaacs, Congressional Budget Office.

[f] U.S. Department of the Treasury, Internal Revenue Service, *Individual Income Tax Returns* (Washington, D.C.: GPO, 1977, 1980, 1984).

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